

1
2 UNITED STATES BANKRUPTCY COURT
3 SOUTHERN DISTRICT OF NEW YORK
4 Case No. 10-16140-MG

5 - - - - -x

6 In the Matter of:

7
8 AMERICAN MEDIA, INC., et al.,

9
10 Debtors.

11
12 - - - - -x

13
14 United States Bankruptcy Court
15 One Bowling Green
16 New York, New York

17
18 November 19, 2010

19 2:01 PM
20

21 B E F O R E:

22 HON. MARTIN GLENN

23 U.S. BANKRUPTCY JUDGE
24
25

1
2 HEARING re Debtors' Motion Requesting Joint Administration of
3 Chapter 11 Cases filed by Ira S. Dizengoff on Behalf of
4 American Media, Inc.

5
6 HEARING re Debtors' Motion Pursuant to Bankruptcy Code Sections
7 105, 361, 362, 363 and 507 for Entry of Interim and Final
8 Orders (I) Authorizing the Use of Cash Collateral, (II)
9 Granting Adequate Protection, (III) Modifying the Automatic
10 Stay, and (IV) Scheduling a Final Hearing.

11
12 HEARING re Motion Pursuant to Bankruptcy Code Sections 363(b),
13 365 and 503(b)(1) and Bankruptcy Rules 2002 and 6004 for an
14 Order Authorizing the Debtors to (I) Assume or Enter into
15 Certain Agreements in Connection with the New Financing and
16 Backstop Commitment, (II) Incur and Pay Related Fees and
17 Expenses as Administrative Expenses, (III) Transfer Certain
18 Funds into Escrow and (IV) Establish Special Purpose Entities
19 as Non-Debtor Entities filed by Ira S. Dizengoff on Behalf of
20 American Media, Inc.

21
22 HEARING re Debtors' Motion for an Order (A) Authorizing the
23 Debtors to Assume a Restructuring Support Agreement and (B)
24 Granting Related Relief filed by Ira S. Dizengoff on Behalf of
25 American Media, Inc.

1
2 HEARING re Debtors' Motion for Order (A) Authorizing the
3 Debtors to Assume a Restructuring Support Agreement and (B)
4 Granting Related Relief Filed by Ira S. Dizengoff on Behalf of
5 American Media, Inc.

6
7 HEARING re Debtors' Motion for an Order (A) Scheduling a
8 Combined Hearing to Consider the Adequacy of the Disclosure
9 Statement and Solicitation and Election Procedures and
10 Confirmation of the Plan, (B) Establishing Deadlines and
11 Procedures to File Objections to the Disclosure Statement, the
12 Solicitation and Election Procedures and the Plan, and (C)
13 Approving the Form and Manner of the Notice of Combined
14 Hearing.

15
16 HEARING re Debtors' Motion for Entry of Interim and Final
17 Orders Authorizing the Debtors to Honor Prepetition Obligations
18 to Customers and Authorizing Financial Institutions to Honor
19 All Related Checks and Electronic Payment Requests filed by Ira
20 S. Dizengoff on Behalf of American Media, Inc.

21
22 HEARING re Debtors' Motion for an Order (I) Granting an
23 Extension of Time to File Schedules of Assets and Liabilities,
24 Schedules of Executory Contracts and Unexpired Leases, Lists of
25 Equity Security Holders, Schedules of Current Income and

1 Expenditures and Statements of Financial Affairs, and (II)
2 Permanently Waiving the Requirements to File the Same Upon
3 Confirmation of the Plan filed by Ira S. Dizengoff on Behalf of
4 American Media, Inc.

5
6 HEARING re Debtors' Application for Entry of an Order
7 Authorizing and Approving the Employment and Retention of
8 Kurtzman Carson Consultants LLC as Notice and Claims Agent for
9 the Debtors Filed by Ira S. Dizengoff on Behalf of American
10 Media, Inc.

11
12 HEARING re Debtors' Motion for Entry of an Order (A)
13 Authorizing the Debtors to Continue Their Existing Cash
14 Management System, Bank Accounts and Business Forms, (B)
15 Granting Postpetition Intercompany Claims Administrative
16 Expense Priority Status and (C) Authorizing Continued
17 Intercompany Transactions Filed by Ira S. Dizengoff on Behalf
18 of American Media, Inc.

1
2 HEARING re Debtors' Motion for Entry of Interim and Final
3 Orders (A) Authorizing, But Not Directing, the Debtors to (I)
4 Pay and/or Honor Prepetition Employee Payroll Obligations and
5 Reimbursement Obligations, (II) Pay, Honor and Continue All
6 Employee Benefits, and (III) Pay and/or Honor All Other
7 Workforce Obligations; and (B) Authorizing Financial
8 Institutions to Honor All Related Checks and Electronic Payment
9 Requests Filed by Ira S. Dizengoff on Behalf of American Media,
10 Inc.

11
12 HEARING re Debtors' Motion for Entry of Interim and Final
13 Orders (A) Authorizing, But Not Directing, the Debtors to Pay
14 Taxes and Fees and (B) Authorizing Financial Institutions to
15 Honor All Related Checks and Electronic Payment Requests Filed
16 by Ira S. Dizengoff on Behalf of American Media, Inc.

17
18 HEARING re Debtors' Motion for Entry of Interim and Final
19 Orders Authorizing the Debtors to Honor Prepetition Obligations
20 to Customers and Authorizing Financial Institutions to Honor
21 All Related Checks and Electronic Payment Requests Filed by Ira
22 S. Dizengoff on Behalf of American Media, Inc.

1
2 HEARING re Debtors' Motion for Interim and Final Orders (A)
3 Authorizing, But Not Directing, Debtors to Pay Prepetition
4 Claims of Shippers, Warehousemen and Logistics Coordinators and
5 (B) Authorizing Financial Institutions to Honor All Related
6 Checks and Electronic Payment Requests Filed by Ira S.
7 Dizengoff on Behalf of American Media, Inc.

8
9 HEARING re Debtors' Motion for Entry of Interim and Final
10 Orders Authorizing, But Not Requiring, Payment of Prepetition
11 Claims of Trade Creditors in the Ordinary Course of Business,
12 Filed by Ira S. Dizengoff on Behalf of American Media, Inc.

13
14
15
16
17
18
19
20
21
22
23
24 Transcribed by: Pnina Eilberg
25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S :

AKIN GUMP STRAUSS HAUER & FELD LLP

Attorneys for Debtors

One Bryant Park

New York, NY 10036

BY: IRA S. DIZENGOFF, ESQ.

MEREDITH A. LEHAIE, ESQ.

ARIK PREIS, ESQ.

SEAN E. O'DONNELL, ESQ.

WACHTELL, LIPTON, ROSEN & KATZ

Attorneys for JPMorgan Chase Bank N.A. as Agent

51 West 52nd Street

New York, NY 10019

BY: RICHARD G. MASON, ESQ.

JENNIFER S. NAM, ESQ.

1
2 PILLSBURY WINTHROM SHAVY PITTMAN LLP

3 Attorneys for Wilmington Trust Company FSB

4 as Indenture Trustee

5 1540 Broadway

6 New York, NY 10036

7
8 BY: LEO T. CROWLEY, ESQ.

9 BRANDON R. JOHNSON, ESQ.

10
11
12 UNITED STATES DEPARTMENT OF JUSTICE

13 Office of the United States Trustee

14 31 Whitehall Street

15 21st Floor

16 New York, NY 10004

17
18 BY: SUSAN D. GOLDEN, ESQ.

19 RICHARD C. MORRISSEY, ESQ.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

PAUL, WEISS, RIFKING, WHARTON & GARRISON LLP
1285 Avenue of the Americas
New York, NY 10019

BY: ANDREW M. ROSENBERG, ESQ.

LOWENSTEIN SANDLER PC
Attorneys for Gould Paper
65 Livingston Avenue
Roseland, NJ 07068

BY: TIMOTHY R. WHEELER, ESQ.

ALSO PRESENT TELEPHONICALLY:

Gavin Baiera, Interested Party

1 P R O C E E D I N G S

2 THE COURT: Please be seated.

3 (Pause)

4 THE COURT: All right. I have a list of appearances
5 in front of me so we'll just move right ahead.

6 MR. DIZENGOFF: Yes, Your Honor. Ira Dizengoff, Akin
7 Gump Strauss Hauer & Feld. We are proposed counsel for the
8 debtors. I'm here with my two colleagues, Arik Preis and
9 Meredith Lahaie.

10 (Pause)

11 THE COURT: Good. Go ahead.

12 MR. DIZENGOFF: Oh, thank you. Good afternoon, Your
13 Honor. Again, Ira Dizengoff, for the record, from Akin Gump on
14 behalf of the American Media Inc. family of companies and its
15 affiliated debtors.

16 Your Honor, with me today in the courtroom is an
17 officer of the company, Mr. Chris Polimeni, let me just point
18 him out to you, right there. Chris is the executive vice
19 president, CFO and treasurer and he is the first day declarant.

20 In addition, in the courtroom is Zuhl Jamal (ph.) from
21 Moelis who's the company's financial advisor. Zuhl is over
22 there.

23 Your Honor, thank you for taking the time to see us
24 and making some time on your calendar for us.

25 After months and months of negotiations, Your Honor,

1 with our largest creditor constituencies, with the goal of
2 effectuating a consensual Chapter 11 plan and consensual
3 reorganization of the company's balance sheet, it's my
4 privilege to present you with a prepackaged plan of
5 reorganization for American Media that substantially delevers
6 this company and it's supported by the vast majority of our
7 creditors. All but one single creditor voted in favor of the
8 plan and I'll get to that in a second.

9 THE COURT: I thought it was two?

10 MR. DIZENGOFF: It's actually one. There was a
11 mistake in the report and now it's only one.

12 Your Honor, of the 197 creditors that voted one voted
13 against the plan. The aggregate claims voting in favor were
14 722 million and three million dollars voted against. It
15 happens that that three million dollars is in a separate class,
16 we'll discuss that in a second, but we're confident that we can
17 proceed under 1129 to confirm the plan.

18 Your Honor, I'd like to take a few minutes to provide
19 you with background about American Media and what we do, the
20 events that led us to commencing these prepackaged proceedings,
21 and our expectations for the case going forward. So with your
22 permission, Your Honor, I'd like to just give you the structure
23 of what I want to do and then proceed.

24 I'll explain the corporate organization and its
25 capital structure. I will discuss what the company does. I

1 will explain the restructuring and how we got here today and
2 then what we hope to achieve in the Chapter 11. Specifically,
3 I'll explain the plan support agreement that we have and the
4 plan structure and the payments and then we'll get to the first
5 day motions, etcetera.

6 So Your Honor, I have an org chart which I'd like to
7 hand up to you so you can just briefly see it.

8 THE COURT: Okay.

9 MR. DIZENGOFF: May I approach?

10 THE COURT: Please.

11 (Pause)

12 MR. DIZENGOFF: Your Honor, the other thing that I
13 brought for you today, not that this is a show and tell, but
14 just so you could actually see physically what we do; I brought
15 you some of our leading publications and you can make use as
16 you want with them, but I'd like to hand those up to you as
17 well.

18 THE COURT: Okay.

19 (Pause)

20 THE COURT: Thank you.

21 (Pause)

22 MR. DIZENGOFF: Your Honor, American Media is a
23 leading publisher of magazines whose titles include National
24 Inquirer, Star, Globe, National Examiner, Country Weekly, Shape
25 Muscle & Fitness, Men's Fitness, etcetera. And we also provide

1 publishing services to other periodicals and publishers, namely
2 Playboy Entertainment, Enterprises and World Wrestling
3 Entertainment. Over the years we've become one of the largest
4 publishers of consumer magazines in the United States.

5 If I could reference the chart that I just handed to
6 you, and if anybody else wants a copy in the courtroom we have
7 that for you as well. On the chart, Your Honor, American
8 Media, Inc. is the direct parent or indirect parent of all the
9 debtor entities. Those are the entities that are in blue.

10 Certain of the debtor -- certain non-debtor entities
11 are not in bankruptcy, that's the green and the yellows. Those
12 are joint ventures or foreign subsidiaries.

13 Your Honor, our businesses are segregated aggregate
14 into five reporting divisions. We have celebrity publications,
15 which includes Star and Country Weekly; tabloid publications
16 which include the National Enquirer, Globe and National
17 Examiner; women's health and fitness publications including
18 Shape and Fit Pregnancy; distribution services, that's where we
19 provide placement marketing and management for other
20 publications and for third-party clients. And then corporate
21 which includes Muscle & Fitness, Men's Fitness, etcetera.

22 Your Honor, we derive the bulk of our revenue from the
23 sale of our periodicals and as such we're highly dependent upon
24 a small number of vendors to produce these publications in a
25 timely manner. These vendors mostly include paper suppliers,

1 as you can imagine, printers, distributors and retailers. And
2 we're dependent upon them to operate our business -- to help us
3 operate our businesses and to generate revenue. As you'll hear
4 in connection with the summaries of the first day relief that
5 we're seeking, to meet the demands in a time sensitive news
6 arena we require -- we're interdependent upon a lot of these
7 vendors.

8 So Your Honor, let me just highlight for you our
9 prepetition indebtedness and I'll go through that quickly. The
10 common stock of American Media, the ultimate parent, as a
11 result of the last restructuring which I'm sure you referenced
12 in our first day declaration that concluded in January of '09,
13 is held by effectively five entities and then scattered smaller
14 shareholders.

15 American High Income Trust, which is managed by
16 Capital Re, we call it Cap Re. Angela Gordon, Avenue Capital,
17 Credit Suisse and Regimen, that's the vast bulk of our
18 shareholders. The remaining is held by some officers and
19 directors and then miscellaneous funds.

20 We are among the most highly levered magazine
21 publishing companies in the industry and our goal in commencing
22 these cases was to delever that balance sheet and increase our
23 cash flow. In the aggregate, Your Honor, we have about 900
24 million dollars of debt that consists of 490 million dollars of
25 senior secured debt that's broken into two pieces, a term loan

1 of 430 million dollars and a sixty million dollar revolving
2 credit facility, of which we've drawn the whole amount. Seven
3 and a half million dollars of 2011 notes, those were the old
4 notes from the last exchange who held out in the last
5 restructuring, that was the out-of-court restructuring that we
6 did in -- consummated in January of '09. Twenty-five million
7 dollars, roughly, of unsecured PIC notes and 356 million
8 dollars of unsecured subordinated notes. Each of the debtor
9 entities, Your Honor, other than the ultimate parent, is on the
10 hook for all the debt and the parent also guarantees the bank
11 debt obligations.

12 Your Honor, our businesses are directly affected by
13 discretionary consumer spending and the decline in consumer
14 spending, particularly at retailers checkout counters, has
15 dramatically impacted our business and our operating results
16 and our profitability. On a macro-economic level, Your Honor,
17 increased prices of fuel, paper and postage have hurt our
18 profitability and as a result we've had the need to
19 restructure.

20 We operate in a highly, highly competitive business.
21 Our competitors are other publications that are sold at
22 checkout counters, television shows and radio programs that
23 concentrate on celebrity news.

24 Your Honor, our competitors are mostly capitalized
25 than us and they have greater capital resources and they have

1 greater revenues. And as a result it's a very cut throat world
2 in the celebrity news market and they take advantage of that.

3 As a result, Your Honor, of the adverse market
4 conditions and our free cash flow and our ability to satisfy
5 our obligations under our 2009 credit agreement and our bonds,
6 we needed to restructure our obligations. So to delever our
7 balance sheet and improve our cash flow we engaged in a number
8 of restructuring initiatives which were all highlighted in Mr.
9 Polimeni's declaration.

10 Since 2008, the fall of 2008 after Lehman had filed
11 for bankruptcy, we were in restructuring negotiations and then
12 on January 30th, 2009 we consummated an out-of-court exchange
13 for the then outstanding 550 million dollars of notes that were
14 outstanding. In addition, at that time we rejiggered our
15 credit agreement and entered into an amended and restated
16 credit agreement.

17 This summer, commencing on or around July 15th, we
18 tried an out-of-court exchange for the subnotes, which is the
19 355 that I referenced, and a cash tender for the twenty-five
20 million dollars of the PIC notes and that was set to expire on
21 August 11th. We extended it multiple times through November
22 1st and ultimately we terminated it because the requisite
23 tenders were not going to be received in a timely basis.

24 So while we were hopeful that the exchanges would be
25 consummated out of court, at the same time, in a prudent manner

1 and business planning on the debtors part we entered into
2 discussions with a group of subordinated noteholders and PIC
3 holders that are represented by the Paul Weiss firm, Mr.
4 Rosenberg is here, and I'll refer to them as the committee just
5 for ease of reference. And we also started discussions with
6 our administrative agent under the credit facility, represented
7 by Mr. Mason, that's JPMorgan Chase.

8 Then on October 30th, Your Honor, we entered into a
9 restructuring support agreement with the committee and certain
10 of the term loan and revolving lenders. That restructuring
11 support agreement set forth a plan of reorganization which was
12 the basis for our prepackaged plan, which we then commenced
13 solicitation on.

14 At a high level, Your Honor, and if you want detail
15 I'll go into detail for you, but at a high level the treatment
16 under that plan and the restructuring support agreement
17 provided that the term facility claims would be paid cash in an
18 amount in the plan that said no less than seventy cents, it'll
19 be closer to eighty cents as a result of the exit financing we
20 were able to line up, and we'll talk about that a little later,
21 and then new second lien notes.

22 The new second lien notes have a feature in it that if
23 a term lender does not want those second lien notes, although
24 the debtor is actually giving it to them, they have an
25 obligation -- not an obligation, an option to put it to two of

1 our bondholders who said we'll take the credit risk as a show
2 of support for the company and they could put it to them for
3 the par amount of the second lien notes that they would
4 otherwise get. And that backstop agreement is also referenced
5 in the materials and in the prepackaged plan.

6 The holders of the revolver claims are paid in full in
7 cash. The subordinated notes get ninety-eight percent of the
8 equity of the company, that's subject to dilution on account of
9 an equity incentive plan and the fee that is paid to the
10 backstop parties.

11 The PIC notes, Your Honor, is a Chinese menu which the
12 debtor will make its choice in connection with the committee
13 and we'll discuss with them, they can get either second lien
14 notes, either new PIC notes or they can get preferred stock and
15 we'll make that election before the confirmation. But just so
16 you know, the PIC notes have voted in favor of that, so they
17 know exactly the treatment -- actually they don't know but
18 they're okay with the Chinese menu.

19 The 2011 notes, Your Honor, that's the one rejecting
20 class, they're getting two percent of the equity of the
21 company. It just so happens that that class, which is seven
22 and a half million dollars in the aggregate and one holder who
23 holds three million dollars voted against --

24 THE COURT: How many holders in that class?

25 MR. DIZENGOFF: I would say --

1 THE COURT: Because originally your papers had said
2 four that had voted against.

3 MR. DIZENGOFF: Yeah. It's three that voted in favor.
4 There was one that was, like, 1,300 dollar claim that voted.
5 That was a mistake in the balloting. I don't know, in the
6 aggregate, how many people there are. Maybe there's five,
7 maybe there's six, I don't know. It's not that many. These
8 are the people who were the holdouts from the last exchange.
9 So consistent with not want to the deal last time, they voted
10 against this plan. That in the aggregate is one vote against
11 it and it's three million dollars.

12 Importantly, from a structural perspective, they're
13 treated exactly identical to the subordinated noteholders that
14 are in a separate class. And in theory we could have
15 classified them together because they have the exact same legal
16 rights, but we didn't. We broke it out by issuance of the
17 debt.

18 And lastly, Your Honor -- oh, I'm sorry, Your Honor.
19 The holders of general unsecured claims, which is our trade,
20 they're going to be unimpaired under the plan and be paid in
21 full in accordance with their ordinary business terms. And
22 then the interest in American Media, Inc., the parent, will be
23 cancelled, that includes warrants and any other rights to
24 equity.

25 THE COURT: What's the amount of the general unsecured

1 claims?

2 MR. DIZENGOFF: Roughly twenty million dollars, give
3 or take.

4 THE COURT: Because I saw in your papers you talked
5 about, by the time of confirmation you expected it to be 20.5
6 million dollars.

7 MR. DIZENGOFF: Right.

8 THE COURT: But I didn't see anything about what it as
9 the day of the filing.

10 MR. DIZENGOFF: If you give me -- when I pause I'll
11 get the answer for you from Mr. Polimeni and we'll give you an
12 exact number.

13 So Your Honor, as we entered into the restructuring
14 support agreement we then commenced solicitation on the plan of
15 reorganization. And as I mentioned, the plan was
16 overwhelmingly voted in favor by its creditor constituencies.
17 There were four classes that voted, we talked about the one
18 seven and a half, the 2011 notes. The other are the term
19 lenders; every single vote that was cast was voted in favor.
20 And of the aggregate of 430 million dollars, about 402 actually
21 voted and voted in favor of the plan.

22 And then the subordinated noteholders, again every
23 single vote that was cast was voted in favor. And then PIC
24 notes, which is twenty-five million dollars, every single vote
25 that was cast was voted in favor. So three of the four

1 classes, one hundred percent of the creditors voting and one
2 hundred percent of the dollar amounts voting voted in favor of
3 the plan. So we think we enjoy broad support for this
4 restructuring.

5 Your Honor, in order to effectuate the plan we've
6 entered into a number of financing arrangements to repay our
7 first lien lenders, and this is what I referenced earlier. We
8 have basically three facilities. We have a new first lien
9 facility, and this is subject of a motion to put the proceeds
10 in escrow and we'll talk about the reasons for that in a little
11 bit, in the aggregate amount of 385 million dollars. That
12 doesn't, obviously, satisfy all of them, that's why they were
13 getting the second lien notes.

14 And then there's a second lien note facility that is
15 up to 140 million dollars. Whether it's 140 million dollars or
16 not all depends, it depends on whether people keep it or not
17 and it also depends on the treatment of the PIC notes. And
18 then there's a new revolving facility of forty million dollars.

19 Your Honor, in order to take advantage of the capital
20 markets, and I'm sure Your Honor has seen in the New York Times
21 and the Wall Street Journal in the last couple days about the
22 choppiness in the high yield markets, so in the period of time
23 when we commenced our restructuring, with commitments in hand
24 we went out to the marketplace to line up that financing and
25 hopefully get it as quickly as we could.

1 We took advantage of it. We were very successful in
2 it and we secured the agreements as I outlined, the 385, the
3 140 and the forty million dollars.

4 What we propose to do is have a non-debtor escrow
5 subsidiary take the proceeds of those loans, hold them in
6 escrow during the course of the case and then as we consummate
7 the plan, if we're fortunate enough to confirm the plan,
8 that'll get merged into the existing reorganized entities and
9 the proceeds will get released. There's conditions, obviously,
10 consummation of the plan, confirmation of the plan and that's
11 what we proposed to do.

12 Your Honor, cobbled together this exit financing of
13 the first lien and then the second lien and then the revolver
14 is enough to give us the means to implement our plan. And it's
15 important, each of these agreements are important and that you
16 couldn't just say well let's wait and it's important because
17 the markets, as you saw, have all seized up and there's a lot
18 of news banter about that the high yield pipeline was
19 dramatically overstacked and now it's loosened up and people
20 are concerned that they couldn't get the deals done.

21 We got our deal done and now we want to take advantage
22 of that and put those proceeds into escrow.

23 THE COURT: The drop dead deadline for --

24 MR. DIZENGOFF: We have ten days in order to get an
25 order from Your Honor that says --

1 THE COURT: Ten days from when?

2 MR. DIZENGOFF: I think December 1st is the drop dead
3 date.

4 THE COURT: Go ahead.

5 MR. DIZENGOFF: Your Honor, over the past two months
6 we have worked tirelessly to insure that we have the sufficient
7 financing to effectuate our plan, that it was supported by all
8 of our creditor constituencies that substantially delevers the
9 plan and provides that all general unsecured trade creditors
10 are paid in full.

11 Your Honor, that's my introduction to the company and
12 what it does. I want to pause here to see if you have any
13 questions because then we're going to get to the substantive
14 first day relief.

15 THE COURT: I'll have questions as you go through.

16 MR. DIZENGOFF: Okay. So I have a question on how
17 you'd like to proceed. We've worked through, I think, the vast
18 bulk of all our issues with the United States Trustee. We
19 obviously have shared this with both JPMorgan and the committee
20 of our bondholders and we have broad consensus on all the
21 orders. So it's up to you, Your Honor. We have a presentation
22 on each and every one.

23 THE COURT: Let me tell you one of the things that's
24 bothering, not substantively but procedurally with respect to
25 two of the motions. The restructuring support agreement and

1 the financing agreement, neither of which seem appropriate for
2 a first day hearing. The prepack guidelines for the district,
3 in general order M-387, identify a list of appropriate first
4 day motions and nothing like the assumption of the
5 restructuring support agreement or the financing agreement are
6 included there. And I'll tell you right now, I'm not going to
7 approve either of those today. I think the issue is when
8 you're going to get a hearing on them, I'm prepared to give you
9 a prompt hearing but I have not been through every page of the
10 financing agreements and, you know, you start out with
11 basically those are not ordinary first day motions. I don't
12 understand why you need -- I don't think you need either of
13 those on the first day, you may like them but it doesn't seem
14 to me appropriate for me to consider them and I'm not ready to
15 consider them because of the amount of fees that will be paid
16 if I approve those agreements.

17 That isn't to say that I have any substantive problem
18 about either of them. It just seems to me that neither is
19 appropriate for first day treatment.

20 MR. DIZENGOFF: Can I spend five minutes trying to
21 convince --

22 THE COURT: That was my question about the drop dead
23 date on the financing.

24 MR. DIZENGOFF: Okay. Your Honor, if I could address
25 just your substantive issues for two seconds and then obviously

1 if you are -- would like to give us a date we have a drop dead
2 date and we'd like to come back to you early next week, if we
3 could and I understand it's a holiday week, but come back next
4 week.

5 Two things I want to just highlight for you. One, the
6 aggregate fees that are both in the JPMorgan facility, that's
7 the 385 plus the backstop agreement, have been advertised to
8 the world. So all of our creditor constituencies know what the
9 aggregate fees that will be paid.

10 Now I understand it's virtually impossible in the two
11 days that you've had the pleadings to understand all the
12 nuances of it and months of negotiation went into each and
13 every thing, and that's totally fair. I get that. But the
14 people with the economic stake in the outcome know exactly what
15 they signed up for and they voted on it and they are supportive
16 of those things.

17 Now that said, I get it and we're about transparency
18 and trying to make sure everybody's comfortable with it. But,
19 you know, in the backdrop the people who are impacted by it
20 have said okay to it.

21 THE COURT: Well you filed your motions yesterday.
22 They trickled in as the day went along. I was on the bench all
23 day. There's been no objection deadline. Now it may be that
24 anybody with an interest in objecting, obviously there's been
25 plenty of notoriety of about what you've been doing, you

1 solicited, you got the votes except for the one class, but, you
2 know, I've already expressed my concerns about atypical first
3 day motions. It's more than just that, it's that the relief
4 you're seeking has real long-term consequences. My approach
5 is, deal with those things that need to be dealt with on the
6 first day basis because they have to be done, wages, things
7 like that, people expect to be paid; cash collateral, I
8 understand you need money to operate, but you have the votes.
9 What is the significance of the assumption of the restructuring
10 support agreement? Why does that even have to be assumed prior
11 to confirmation? With the financing, I don't like being
12 crammed down by lenders who set a drop dead deadline that falls
13 -- that would require, in a holiday week, for me to have a
14 hearing. So I want to make all of that very clear. I don't
15 like to be put in the position of -- where people are trying to
16 force me to take action before there's time for if there are
17 going to be objections.

18 I understand and prepack guidelines anticipate the
19 case will move quickly and I hope this does move quickly. But
20 I don't intend to be railroaded.

21 MR. DIZENGOFF: All fair, Your Honor. We get all that
22 and we were sensitive to all that. Two small comments; we
23 started solicitation on October 30th so the creditor party at
24 large, and there's -- the solicitation document is effectively
25 a disclosure statement and we believe it satisfies the 1125

1 requirements. All of this is laid out in gory detail to the
2 entire creditor body. So they've known about the financing,
3 they've known about the restructuring support agreement,
4 they've known exactly the treatment that they're going to get.

5 And it's not a typical first day case where I'm coming
6 in, I filed on Wednesday and I have a hearing on Friday and
7 people have had thirty-six hours to digest it. In this case
8 the creditors have had twenty days, twenty-one days to digest
9 it. So at a normal procedural, if I filed a motion and I was
10 following normal procedures, twenty days to digest exactly what
11 is happening is a lot of time. That doesn't mean I'm going to
12 push you into that, I just want to note that that's how we
13 think we've addressed the issue in terms of adequate notice for
14 all the creditor constituencies.

15 The second thing Your Honor, you raised on the
16 restructuring support agreement, the benefit that we get the
17 estate, I understand I have the support of the other people and
18 they're all happy with the deal, the benefit that we get from
19 the estate is I now know if you approve it and I've assumed
20 that obligation, I don't have any objections from that creditor
21 constituency. Yes, I have an agreement but it's a prepetition
22 agreement and they could sell their claims if they wanted to
23 and then I could be arguing about, with some other creditor
24 constituency, whether they're going to support the plan or not.

25 So from our perspective we would like to know that

1 we're locked and loaded and headed down towards a prepackaged -
2 - hopefully the only next hearing would be the confirmation
3 hearing. I understand we might have one in between and that's
4 totally fine. But that's the reason why, in our mind, a first
5 day relief issue. And I get the concerns, Your Honor, and
6 notice and not trying to rush things through is important in
7 this case. And the reason why it's in this case --

8 THE COURT: Till I have an opportunity to read every
9 page of that financing package you're not getting it.

10 MR. DIZENGOFF: That's fair.

11 THE COURT: It's really as simple as that.

12 MR. DIZENGOFF: No problem. I just wanted you to
13 understand our perspective on why we asked for it. No problem.

14 THE COURT: I've got binders galore that have been
15 trickling into my chambers over the last two days and I've read
16 a lot of it. But I have not had the opportunity to study those
17 documents and without that happening it isn't going to happen.

18 MR. DIZENGOFF: Okay. That's fair enough, Your Honor.
19 What we'd ask for then, in light of that, is if we can have a
20 hearing --

21 THE COURT: Let's go through the ones that we're going
22 to get through today and then we'll talk about scheduling.

23 MR. DIZENGOFF: Okay. That's fine as well. At this
24 point I'm going to cede the podium to one of my colleagues who
25 will take you through some of the other pleadings.

1 THE COURT: That's fine. Thank you.

2 (Pause)

3 MS. LAHAIE: Good afternoon, Your Honor. Meredith
4 Lahaie, Akin Gump, for the debtors.

5 Your Honor, before I begin moving through the first
6 say motions I'd like to first move in Mr. Polimeni's first day
7 declaration and the supplemental declaration we submitted in
8 connection with the trade claims motions.

9 THE COURT: Any objections to the Court admitting
10 either of those declarations?

11 (No response)

12 THE COURT: Hearing no objection both of those
13 declarations are admitted.

14 (Declaration and Supplemental Declaration of Mr. Polimeni was
15 hereby received as Debtors' Exhibit 1, as of this date.)

16 MS. LAHAIE: Thank you, Your Honor.

17 I'm going to proceed in a little bit of a slightly
18 unorthodox order just so that the Court is aware JPMorgan, who
19 obviously is administering the debtors' cash, has raised their
20 concerns with respect to our ability to honor prepetition
21 checks. And so, Your Honor, they've told us they have a 3:30
22 deadline today to clear those checks.

23 THE COURT: Okay. Let's deal with it.

24 MS. LAHAIE: So Your Honor, first I would ask for
25 joint administration.

1 THE COURT: Any objections to the motion for joint
2 administration?

3 (No response)

4 THE COURT: The motion is granted.

5 MS. LAHAIE: Thank you, Your Honor. And next the
6 motion with respect to the creditor matrix, so that we don't
7 have to file those.

8 THE COURT: Any objection to the motion on the
9 creditor matrix?

10 (No response)

11 MS. LAHAIE: Thank you, Your Honor.

12 THE COURT: Granted as well.

13 MS. LAHAIE: Thank you. The first substantive motion
14 I'd like to seek your relief from is the cash collateral
15 motion. Your Honor, do you have specific questions or concerns
16 or do you have issues on the order you'd like to go through.

17 THE COURT: Just give me a second. I don't think so.

18 (Pause)

19 THE COURT: There's no budget.

20 MS. LAHAIE: There is not, Your Honor.

21 THE COURT: Why not?

22 MS. LAHAIE: Your Honor, it was part of the consensual
23 deal we negotiated with JPMorgan. Given the, what we expect to
24 be very brief duration of these cases and JPMorgan's
25 involvement to date, they were comfortable authorizing us to

1 use cash collateral without a budget.

2 THE COURT: Okay. Your motion to use cash collateral,
3 you fail to comply with Local Rule 4001-2 in Bankruptcy Rule
4 4001. The following are missing or deficient in the proposed
5 order: Local Rule 4001-2(a)(1) requires the motion for cash
6 collateral to state the amount of the cash collateral that the
7 debtor seeks permission to use and you've not done that.

8 Moreover, in paragraph 7 of the motion it doesn't
9 specify the total amount requested. It merely states certain
10 dollar caps associated with the particular use of cash
11 collateral. And for the same reason, Local Rule 4001-2(g) is
12 violated. The local rule requires, "A motion that seeks entry
13 in an emergency or interim order before a final hearing," I'll
14 leave some words out, "shall describe the amount and purpose of
15 the funds sought to be borrowed on an emergency basis", and you
16 haven't done any of that.

17 MS. LAHAIE: Understood, Your Honor. If I could
18 attempt to address those concerns orally and then we could
19 modify the order accordingly.

20 Your Honor, it's my understanding that there's
21 approximately sixty-five million dollars of cash collateral
22 currently in the possession of the company. And based on what
23 the company estimates it will need during the first twenty days
24 of the case, I understand that twenty-five million would be
25 appropriate for the interim period.

1 THE COURT: Mr. Morrissey and Ms. Golden, was this an
2 issue that either of you addressed with debtors' counsel?

3 MS. GOLDEN: For the record, Susan Golden for the
4 United States Trustee. Which issues, Your Honor?

5 THE COURT: Well, just focusing on cash collateral. I
6 mean, I -- there's no budget. There's nothing that I saw,
7 unless I missed it, that says how much cash collateral they
8 want to use in this interim period.

9 MS. GOLDEN: Well, first let me say that we've had a
10 very good working relationship with Akin Gump in this case, all
11 along, from when we found out that the case was in the pipeline
12 and going to file, and we've had many discussions. So while
13 our office may have been privy to the amounts being sought, we
14 realize that it is isn't in the document.

15 THE COURT: Were representations made to your office
16 about what the amount being sought was and for what period?

17 MS. GOLDEN: Yes, Your Honor.

18 THE COURT: All right. So tell me again, what is the
19 representation as to the amount of the cash collateral that'll
20 be used in the first twenty-one days of the case?

21 MS. LAHAIE: It's approximately twenty-five million
22 dollars, Your Honor. And obviously, Your Honor, we can
23 annotate the order accordingly.

24 THE COURT: Does anybody wish to be heard with respect
25 to the debtor's motion for use of cash collateral?

1 (No response)

2 THE COURT: All right. Subject to the order being
3 modified to reflect a twenty-five million dollar limitation on
4 the use of cash collateral in the first twenty-one days of the
5 case, the motion is granted.

6 MS. LAHAIE: Thank you, Your Honor.

7 Your Honor, the next motion on the agenda is the cash
8 management motion. Your Honor, would you like a present --

9 THE COURT: Just give me a second.

10 (Pause)

11 THE COURT: Go ahead.

12 MS. LAHAIE: Your Honor, would you like a presentation
13 on this or would you like to address any questions on the
14 order?

15 THE COURT: Does anybody wish to be heard with respect
16 to the cash management motion? Ms. Golden?

17 MS. GOLDEN: Yes, Your Honor. We only have one issue
18 with the cash management order. For the most part all of the
19 debtors' accounts are in JPMorgan Chase, which is an authorized
20 depository in the southern district.

21 `I think there were three accounts where there were
22 checks outstanding. Two of them are also authorized, even
23 though they're not, you know, the big typical banks that we
24 often see and the other one, I think, is going to be close. So
25 we have no issue with that.

1 The only issue we have is with Chase Canada. Because
2 it's in Canada it's not an authorized depository in the
3 Southern District of New York so the U.S. Trustee can't consent
4 to having the funds remain in that bank without bonding. So on
5 that score we will defer to the Court. We understand there is
6 about a million dollars, a little under a million dollars in
7 that account.

8 MS. LAHAIE: That's right, Your Honor. May I be heard
9 briefly on that?

10 THE COURT: Go ahead.

11 MS. LAHAIE: Your Honor, I've spoken with the company
12 with respect to this bank account and from what I understand,
13 as Ms. Golden represents, it does have less than a million
14 dollars in it and its purpose is to pay payroll with respect to
15 the company's Canadian employees.

16 I did discuss with the company of either closing down
17 the account and moving into an account that might be approved
18 by the U.S. Trustee's office. We also approached the bank
19 about bonding that account; both of those requests don't seem
20 particularly feasible.

21 THE COURT: Yeah, that's not a surprise.

22 MS. LAHAIE: Your Honor, with that I'd ask --

23 THE COURT: Ms. Golden, let me ask you, because this
24 kind of issues recurs, it comes up often and oftentimes your
25 office is willing to provide a grace period for this to get

1 resolved. Now this case may be out of here before there is --
2 the grace period expires.

3 MS. GOLDEN: We would certainly provide a grace period
4 to allow them to attempt to comply. They didn't ask for a 345
5 waiver in their documents but certainly we often, almost
6 always, will grant a grace period at the request of counsel.

7 THE COURT: This is one by the time an ordinary grace
8 period would expire, this case may be confirmed and out of
9 here.

10 MS. GOLDEN: That's understood, Your Honor. The U.S.
11 Trustee just isn't in a position to be able to pass on the
12 financial wherewithal of a foreign bank.

13 THE COURT: All right. So what I'm going to do is,
14 I'm going to grant the cash management motion with the
15 understanding, and you don't have to reflect this in the order
16 it's on the record here, that issues with the Canadian Chase
17 account will be resolved by December 31, 2010. Okay? It
18 doesn't -- you don't need to amend the order, I'm so ordering
19 the transcript on it. So you've got approval and subject to if
20 you need to work with the U.S. Trustee's office in satisfying
21 them, okay?

22 MS. LAHAIE: Understood. Thank you, Your Honor.

23 Your Honor, next on the agenda is the wages motion.
24 Two comments on this. The first, as I'm sure you noted, there
25 is no one that's contemplated to be paid in excess of the cap.

1 The other thing I did want to note for Your Honor is that
2 pursuant to my discussions with the U.S. Trustee, they
3 typically request that the reimbursement of expenses not exceed
4 1,000 dollars per individual. But with respect to this company
5 I understand there is a universe of about thirty employees that
6 work for DSI, one of the debtor entities, and as I understand
7 it these employees, who are relatively modestly compensated,
8 actually go to the various locations where the publications are
9 sold and then are subsequently reimbursed for travel expenses.
10 And I understand that this runs somewhere in the range of 2,000
11 per employee.

12 And it's my understanding that the U.S. Trustee is
13 amenable to allowing those individuals to be compensated.

14 MS. GOLDEN: Under the circumstances and what these
15 individuals do and they're just, you know, regular folks who
16 are driving and dropping things off. We have no objection.

17 THE COURT: All right. Anybody else wish to be heard
18 with respect to the wages motion?

19 (No response)

20 THE COURT: All right. The motion is granted.

21 MS. LAHAIE: Thank you, Your Honor.

22 Your Honor, the next motion on the agenda is the
23 shipper's motion. As I communicated to your chambers this
24 morning, there was one discrepancy in the motion that was
25 actually filed with respect to the order that we're submitting

1 for you today. That discrepancy is as follows: with respect
2 to what we originally requested, we thought we only needed to
3 seek authority to pay about 80,000 of our shippers and
4 warehousemen, but based on subsequent conversations with the
5 company, after we filed that motion, I understand that number
6 is closer to the 300,000 dollar range. And then I think, it
7 may be clear to you, the debtors also have on file today a
8 motion to seek payment of all their trade claims and that
9 motion, for the interim period, is seeking somewhere around 7.3
10 million dollars. And so from what I understand 7.3 million
11 included the 200-some odd thousand that is being now shifted
12 over to the shipper's motion. So it's still the same amount in
13 the aggregate it's just being allocated differently between the
14 two motions.

15 THE COURT: Anybody wish to be heard with respect to
16 the shipper's motion? Ms. Golden?

17 MS. GOLDEN: Yes. Counsel has given us a list of all
18 of the -- all of the shippers and the amounts that are due as
19 well as all of, I believe, the trade claims and the amounts
20 that are due. In the interim, the U.S. Trustee doesn't have
21 any objection.

22 THE COURT: All right.

23 MS. GOLDEN: As long as Ms. Lahaie is to make her 6003
24 imminent harm declaration.

25 THE COURT: Yeah, because usually the shippers have

1 the right to assert a lien against the materials. If you can't
2 deliver your magazines, I assume that that's the imminent harm
3 that the debtors will suffer if this motion is not granted.

4 MS. LAHAIE: That's correct, Your Honor.

5 THE COURT: All right. The motion is granted.

6 MS. LAHAIE: And Your Honor, that brings me to the
7 trade claims motion. As I indicated at the outset of my
8 presentation, we did submit a supplemental declaration on that
9 from the CFO. As Mr. Dizengoff reflected, he is available here
10 to testify in connection with that declaration.

11 Your Honor, I defer to you on how to proceed. Do you
12 want me to make a presentation on this motion and walk through
13 some of the vendors?

14 THE COURT: Well first let me ask, Ms. Golden, have
15 you gone over it with the debtors' counsel?

16 MS. GOLDEN: Yes, we've gone over this motion back and
17 forth extensively, it's had several iterations. And the U.S.
18 Trustee at least is satisfied that in the interim period we
19 have no objection.

20 THE COURT: What's the total that you anticipate would
21 be paid in the interim period?

22 MS. LAHAIE: It's approximately seven million dollars,
23 after backing out the shippers, Your Honor.

24 THE COURT: All right. Does anybody wish to be heard
25 with respect to the trade creditors' motion?

1 (No response)

2 THE COURT: All right. The court is satisfied that
3 you've satisfied the standards for paying those during the
4 first twenty-one days of the case. So that motion is granted.

5 MS. LAHAIE: Thank you, Your Honor.

6 Next up is the customer programs motion. Again, this
7 has also been previewed with the U.S. Trustee's office and I
8 understand that Ms. Golden has no objection. I can walk
9 through this as well, if you'd like, Your Honor.

10 THE COURT: Let me ask, does anybody else wish to be
11 heard with respect to the customer program motion?

12 MS. GOLDEN: The U.S. Trustee has no objection, Your
13 Honor.

14 THE COURT: All right. The Court has reviewed the
15 motion as well and concludes that it's well taken, good cause
16 appearing, the motion is granted.

17 MS. LAHAIE: Your Honor, next up is the tax motion. I
18 understand there are no objections to this either.

19 MS. GOLDEN: The U.S. Trustee doesn't object but only
20 taxes that are owing in the first twenty days.

21 MS. LAHAIE: That's correct.

22 THE COURT: I doubt whether they're paying taxes.

23 MS. LAHAIE: I can confirm that they're not, Your
24 Honor.

25 THE COURT: I always like to see the tax authorities

1 get their money so that motion is granted.

2 MS. LAHAIE: Thank you, Your Honor.

3 Your Honor, the next two motions on the agenda I
4 understand we're going to skip over, which are the escrow
5 motion and the RSA and we'll come back to schedule those at the
6 end of the hearing.

7 The next matter on the agenda is the confirmation
8 hearing scheduling motion. As Mr. Dizengoff indicated in his
9 presentation, we are hoping to proceed relatively quickly with
10 confirmation in these cases. And by that motion we're seeking
11 to set confirmation somewhere around December 15th, subject to
12 your schedule.

13 THE COURT: Well, not quite that. Here is -- let me
14 give you the schedule.

15 MS. LAHAIE: Okay.

16 THE COURT: November 24th for distribution of election
17 forms to Class II claims; 5 p.m. December 13th objection
18 deadline for disclosure statement plan and solicitation
19 procedures. Reply deadline 5 p.m. December 17; confirmation
20 hearing 10 a.m. December 20th.

21 MS. LAHAIE: I'll just turn to my colleagues, Your
22 Honor.

23 (Pause)

24 MS. LAHAIE: I'm informed that that's acceptable, Your
25 Honor.

1 THE COURT: Okay.

2 MS. LAHAIE: Did Your Honor have any other questions
3 or comments on that motion?

4 THE COURT: No. So the scheduling motion, with the
5 dates that I've provided, is granted.

6 MS. LAHAIE: Thank you, Your Honor.

7 Next up is the schedules and statements motion
8 pursuant to which we seek an extension and then a waiver of our
9 obligation to file schedules and statements.

10 THE COURT: Anybody? Ms. Golden?

11 MS. GOLDEN: We have no objection, Your Honor.
12 Obviously if confirmation doesn't happen or something
13 intervenes then counsel has -- the debtors have the right to
14 request a further extension and we'll take it from there. But
15 we agree to a thirty-day extension.

16 THE COURT: Okay. That motion is granted as well.

17 MS. LAHAIE: Thank you, Your Honor.

18 Last on today's agenda is the motion to retain KCC as
19 our noticing and claims agent, to the extent there are any
20 claims, Your Honor.

21 THE COURT: All right. Did you solicit bids from two
22 or more?

23 MS. LAHAIE: We solicited bids from two, Your Honor.

24 THE COURT: Okay. Ms. Golden?

25 MS. GOLDEN: Your Honor, the U.S. Trustee has no

1 objection to KCC being noticing and claims agent. We do
2 request that if they want to expand their scope to exceed
3 noticing and claims, which are traditionally clerk's office
4 activities, that they would file a supplemental application to
5 be retained in an expanded scope that our office would be able
6 to pass over.

7 MS. LAHAIE: And that's fine, Your Honor. The only
8 thing I anticipate KCC would do in addition to that would be to
9 collect and process the election forms.

10 THE COURT: All right. Anybody else wish to be heard
11 on that motion?

12 (No response)

13 THE COURT: All right. The motion is granted on the
14 basis of Ms. Golden's comments, okay?

15 MS. LAHAIE: Thank you, Your Honor.

16 You'll note on the agenda there are a few extra
17 motions that we filed, utilities, interim compensation, OCP,
18 that we'll be seeking in connection with the coming days. But
19 I believe that's all we have on the agenda today, which leaves
20 us to, I believe, to scheduling our next hearings, Your Honor.

21 THE COURT: Okay.

22 (Pause)

23 MS. LAHAIE: Your Honor, my colleagues are informing
24 me that the drop dead deadline for the escrow is November 29th.
25 I'm sorry; they're requesting a hearing on the 29th. I

1 apologize.

2 (Pause)

3 THE COURT: Who voted against? Who in Class VII voted
4 against?

5 MR. DIZENGOFF: Your Honor, let me just address it for
6 a second.

7 It's hard to speculate who it is but I could tell you
8 from the last exchange it was one bondholder that was in a fund
9 that was acquired by a subsequent fund manager. His fund is
10 wound down so he actually doesn't work at that fund any more
11 but he still has, kind of, control over those assets. That's
12 the person we think.

13 Now it's hard for us to tell because the votes come in
14 through street name and we only see, for example, JPMorgan as
15 custodian. While it's not JPMorgan's it's ultimately who that
16 beneficial holder is. So we have a theory of who it is, but
17 we're not sure.

18 THE COURT: Anybody representing the one vote against
19 here today?

20 (No response)

21 MS. LAHAIE: Your Honor, on that note I would like to
22 note that we did make sure that we served notice of this
23 hearing with respect to the name that we do have, who is the
24 nominee that holds for that individual. So we did make sure
25 and we have an affidavit of service, if Your Honor would like,

1 with respect to the service on that person.

2 (Pause)

3 THE COURT: Tell me, on your utilities motion when
4 were you contemplating bringing that on?

5 MS. LAHAIE: Your Honor, we were contemplating
6 bringing it on by notice of presentment, unless Your Honor has
7 any issues with proceeding in that fashion.

8 THE COURT: I don't know how many utilities we're
9 dealing with.

10 MS. LAHAIE: I can tell you that the deposit in
11 connection with that motion is somewhere in the range of
12 175,000 dollars. It's not a particularly large number.

13 THE COURT: You know, I didn't read that motion
14 because I knew it wasn't on for today. I actually just read a
15 snippet of it.

16 So you're proposing 175,000 deposit but you were just
17 going to use that as a single lump?

18 MS. LAHAIE: Your Honor, I'm being informed it's --

19 THE COURT: Because I've got to tell you, I have never
20 approved that. I usually required two weeks.

21 MS. LAHAIE: Your Honor, it is approximately two
22 weeks.

23 THE COURT: Yes, but two weeks for each utility not --
24 because what happens is when you do it as a simple fund that in
25 the aggregate would be two weeks, then they come in and scream

1 because if somebody else gets to use it there's not enough left
2 for them.

3 So I don't know how many -- I can't imagine you have
4 that many utilities you're dealing with so I'll just tell you
5 now that what I typically require is a deposit equal to two
6 weeks of the average over the prior twelve months deposited
7 with each utility. That's, sort of, the standard that my
8 colleagues do, is what I've done because as soon as you try and
9 do it as a single fund then they come in screaming that well we
10 have no assurance that we're going to see our money because if
11 somebody else draws down on it --

12 MS. LAHAIE: Your Honor, I will say this with respect
13 to the utilities motion; it's not contemplated in the motion
14 that we're going to be setting up a separate account for the
15 deposit. The debtors are proposing to earmark those funds in
16 connection with their global cash management policy. And as I
17 stated earlier, with respect to the cash collateral motion, we
18 have about sixty-five million dollars of cash on hand.

19 The company would prefer to earmark funds in whatever
20 fashion the Court deems appropriate.

21 THE COURT: Okay. Well, when you make your proposal,
22 I just -- experience has shown when you propose to do it as a
23 single lump sum that brings the -- the utilities should be that
24 big a deal, when they are then they come out of the woodwork,
25 that's not acceptable to them. Usually they want a month but

1 the standard that I've always done is the two weeks but some
2 assurance that the money's there for them, that it's set aside
3 for them, whether it's on your -- sixty-five million you
4 shouldn't have to worry about it. Hopefully you'll never hear
5 from them.

6 (Pause)

7 THE COURT: All right. I'm going to set the hearing
8 on the restructuring support agreement, on the escrow/backstop
9 for Monday, November 29th at 2 p.m. Objection deadline, make
10 everybody really happy, Wednesday, November 24th at 4 p.m.

11 Please serve notice of the hearing with those
12 deadlines.

13 MS. LAHAIE: We will, Your Honor.

14 If I could impose upon you for one additional hearing
15 date, which would be in connection with the final usage of cash
16 collateral, approximately twenty days out.

17 THE COURT: It only has to be fourteen days, I
18 thought. Am I right or wrong on that? I think it's fourteen
19 days.

20 MS. LAHAIE: Oh, okay.

21 THE COURT: For a DIP loan it's got to be the twenty-
22 one but for use of cash collateral it's only fourteen days.

23 MS. LAHAIE: Okay.

24 (Pause)

25 THE COURT: Who did you serve the motion on?

1 (Pause)

2 MS. LAHAIE: Your Honor, we served it, among others,
3 on the fifty largest creditors, the indentured trustee for the
4 note issuances, the admin agent.

5 (Pause)

6 MS. LAHAIE: I do have a copy of our affidavit of
7 service, Your Honor, if you'd like it.

8 (Pause)

9 THE COURT: All right. The hearing is December 6th,
10 Monday, December 6th at 2 p.m. and the objection deadline is
11 Monday, November 29th at 5 p.m.

12 MS. LAHAIE: Thank you, Your Honor. We'll notice that
13 as well.

14 (Pause)

15 THE COURT: Okay. Anything else for today?

16 MS. LAHAIE: I believe that's it, Your Honor. Thank
17 you very much for your time.

18 THE COURT: Okay. Thank you. We're adjourned.

19 (Whereupon these proceedings were concluded at 2:50 PM)

20

21

22

23

24

25

I N D E X

E X H I B I T S

OTHER'S	DESCRIPTION	PAGE
1	Declaration and Supplemental Declaration of Mr. Polimeni	29

RULINGS

	Page	Line
Motion for Joint Administration, Granted	30	4
Scheduling Motion, Granted as Modified	41	5
Schedules and Statements Motions, Granted	41	17
Motion to Retain KCC as Claims and Noticing Agent, Granted	42	14
Creditor Matrix Motion, Granted	30	12
Cash Collateral Motion, Granted as Modified	33	7
Cash Collateral Motion, Granted	35	15
Wages Motion, Granted	36	21
Shippers' Motion, Granted	38	6
Trade Creditors Motion, Granted	39	5
Customer Programs Motion, Granted	39	17
Tax Motion, Granted	40	2

C E R T I F I C A T I O N

I, Pnina Eilberg, certify that the foregoing transcript is a
true and accurate record of the proceedings.

Pnina Eilberg

Digitally signed by Pnina Eilberg
DN: cn=Pnina Eilberg, c=US
Reason: I am the author of this document
Date: 2010.11.23 14:35:09 -05'00'

PNINA EILBERG (CET**D-488)

AAERT Certified Electronic Transcriber

Veritext

200 Old Country Road

Suite 580

Mineola, NY 11501

Date: November 23, 2010